

Message Text

CONFIDENTIAL

PAGE 01 STATE 296831

62

ORIGIN ARA-10

INFO OCT-01 ISO-00 SSO-00 EB-07 SS-15 L-03 EUR-12 INR-07

INRE-00 SP-02 /057 R

DRAFTED BY ARA/ECP:SHROGERS

APPROVED BY ARA/ECP:SHROGERS

ARA/EP:JKING

EB:JWINDER

----- 062035

O 170051Z DEC 75

FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 296831

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: EFIN, FR

SUBJECT: EXPORT-IMPORT BANK CONSIDERATION OF OCCIDENTAL
PIPELINE FINANCING REQUEST

PLEASE DELIVER TO DEPUTY ASSISTANT SECRETARY FISHLOW (WITH
CIEC DELEGATION) 8:30 AM WEDNESDAY FROM SHROGERS

1. FOLLOWING IS BASED ON CONVERSATIONS WE HAVE HAD WITH
EXIM BANK VICE-PRESIDENT FOR LATIN AMERICA EDWARD O'CONNOR.

2. EXIM BOARD IS SCHEDULED TO DECIDE TOMORROW WHETHER
FURTHER CONSIDERATION SHOULD BE GIVEN TO OCCIDENTAL'S
REQUEST FOR FINANCING. WE ARE ATTEMPTING TO ASSURE THAT
NO FINAL NEGATIVE DECISION WILL BE MADE AT THAT SESSION
SO THAT YOU WILL HAVE OPPORTUNITY TO DISCUSS MATTER WITH
EXIM VICE-PRESIDENT SAUER FOLLOWING YOUR DISCUSSION WITH
FOREIGN MINISTER DE LA FLOR.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 296831

3. IN FIRST CONSIDERATION EXIM BOARD WOULD GIVE INDICATION OF QUESTIONS THAT NEED TO BE EXPLORED, SUCH AS NATURE OF GUARANTEE AND AMOUNT OF LOAN. EXIM WILL, AMONG OTHER THINGS, HAVE TO BE CONVINCED THAT PROJECT IS SOUND, I.E., THAT SUFFICIENT PETROLEUM RESERVES EXIST TO MAKE PIPELINE VIABLE.

4. PAST EXPERIENCE INDICATES EXIM BOARD MIGHT ACCEPT GUARANTEE IN ANY OF SEVERAL FORMS. GOP MIGHT ITSELF GUARANTEE FINANCING OR IT MIGHT ISSUE DECREE AUTHORIZING COFIDE TO GUARANTEE FINANCING. APPARENTLY THERE IS NO RECENT PRECEDENT FOR PERUVIAN OR OTHER LA GOVERNMENT GUARANTEE OF FINANCING FOR FIRM THAT IS COMPLETELY FOREIGN-PRIVATE OWNED, AT LEAST OF THIS MAGNITUDE. ELSEWHERE, BRAZILIAN DEVELOPMENT BANK HAS ISSUED GUARANTEES FOR JOINT VENTURES, AND PARENT COMPANIES (SUCH AS FORD, US, FOR FORD, BRAZIL) HAVE GIVEN GUARANTEES.

5. THESE EXAMPLES MAY SUGGEST POSSIBILITIES FOR PERU AND OCCIDENTAL, HOWEVER, IF GUARANTOR IS TO BE PARENT COMPANY, EXIM WOULD HAVE TO BE SATISFIED THAT IT WAS NOT COMPETING WITH PRIVATE BANK FINANCING. ONE ELEMENT WOULD BE WHETHER COMPETING SUPPLIERS IN OTHER COUNTRIES WERE TO BE FINANCED BY THEIR GOVERNMENTS' LENDING INSTITUTIONS. EXIM HAS NO INDICATION THAT ANY OTHER POTENTIAL SUPPLIER HAS BEEN APPROACHED, SO BERN UNION CONDITIONS MIGHT NOT BE MET.

6. BANK'S BOARD MAY BE RELUCTANT TO TAKE UP FULL 90 PERCENT OF 140 MILLION DOLLAR COST AS OCCIDENTAL HAS REQUESTED (45 PERCENT AS EXIM LOANS, 45 PERCENT AS LOAN GUARANTEES), ALTHOUGH THAT DEGREE OF FINANCING IS NOT NECESSARILY EXCLUDED.

7. SUGGEST YOU TELL DE LA FLOR THAT EXIM IS ACTIVELY CONSIDERING REQUEST, THAT WE ARE DISCUSSING IT WITH BANK, THAT YOU WILL TALK WITH EXIM VICE PRESIDENT NEXT MONDAY OR TUESDAY, BUT THAT AMONG ELEMENTS THAT MUST BE RESOLVED IS QUESTION OF GUARANTEE, WHICH WILL HAVE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 296831

TO BE WORKED OUT IN MANNER SATISFACTORY TO EXIM BANK. GIVEN COMPLEXITIES OF NEGOTIATING SITUATION BETWEEN OXY AND GOP (MORE INFO IN LIMA 10309, BEING REPEATED TO YOU), AND FACT THAT EXIM HAS RESPONSIBILITY FOR DECIDING WHAT CONSTITUTES REASONABLE ASSURANCE OF REPAYMENT, WE RECOMMEND YOU NOT GET INTO DETAILS OF POSSIBLE ALTERNATIVE MEANS OF GUARANTEES AS OUTLINED ABOVE. INGERSOLL

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, PIPELINES, FINANCIAL CONTRIBUTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE296831
Document Source: CORE
Document Unique ID: 00
Drafter: SHROGERS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750437-0786
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751235/aaaabejk.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2003 by MartinML>; APPROVED <06 OCT 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXPORT-IMPORT BANK CONSIDERATION OF OCCIDENTAL PIPELINE FINANCING REQUEST
TAGS: EFIN, FR, OCCIDENTAL, XMB
To: PARIS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006